GEORGIA DEPARTMENT OF AUDITS & ACCOUNTS
Performance Audit Division
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Summary of Performance Audit • Report No. 21-01

November 2021

Student Access Loan Program

Operating a loan program requires GSFA to balance need and ability to repay

BACKGROUND

Established in fiscal year 2012, the Student Access Loan (SAL) Program provides a needs-based, 1% loan to assist postsecondary students with the cost of education and completing their credentials in a timely manner.

The Georgia Student Finance Authority (GSFA) oversees SAL, which is primarily funded by state appropriations. Additional loans are distributed using borrower principal repayments.

Since its inception, SAL has provided approximately $266 million in loans to nearly 36,000 students. In fiscal year 2021, approximately 5,600 students received nearly $28 million.

KEY RECOMMENDATIONS

The General Assembly should:

- Formalize SAL's goals and priorities–either by codifying the program in statute or providing guidance to GSFA
- Communicate the extent to which it expects to continue dedicating lottery funds to SAL

Based on guidance from the General Assembly, GSFA should:

- Determine whether design changes are necessary to better ensure SAL's self-sufficiency (if decreased reliance on state funds is expected)
- Consider expanding its service cancellation and loan discharge programs
- Evaluate the characteristics of defaulted borrowers and adjust eligibility criteria (should default management be a priority)

To help ensure borrower repayment, GSFA should:

- Consider reducing the minimum monthly payment or implementing a plan that adjusts monthly payments based on ability to pay
- Encourage borrowers to participate in its automatic payment plan
- Evaluate the information it includes in its communication to borrowers

KEY FINDINGS

GSFA has designed SAL to ensure access to certain populations, which has also decreased the likelihood that loans will be repaid. To formalize SAL's intent and priorities (which will impact program design), the General Assembly could codify the program in statute. Alternatively, GSFA could modify its regulations with the General Assembly's input. Absent legislative action, GSFA should consult with the General Assembly regarding how to address report recommendations that impact potential borrowers' access to the loan or GSFA's collections.

Georgia's loan for need-based aid is unique among states.

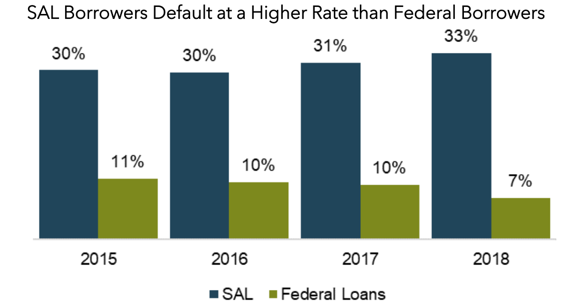
- Georgia awards more grant dollars per undergraduate student than any other state; however, it devotes a smaller proportion of its state assistance to need-based aid compared to other southeastern states.
- Georgia is one of seven states that provide loans to undergraduate students. Most of the other states with loans invest more state funds in their need-based grant or scholarship program, while Georgia's needs-based scholarship program is significantly smaller.

SAL assists postsecondary students with financial need, though its design could be more targeted.

- GSFA does not require credit checks or cosigners for SAL, which increases access among those with limited resources. Approximately 70% of SAL borrowers are also eligible for the federal Pell Grant, which reflects "exceptional financial need."
- SAL borrowers were more likely to persist to the next academic year and obtain an academic award compared to those who applied but did not receive the loan.
- SAL borrowers can obtain service cancellation or loan discharge to remove debt, but these programs are underutilized.

Current default rates limit SAL's success as a loan program that requires repayment.

SAL Borrowers Default at a Higher Rate than Federal Borrowers



- Approximately 31% of SAL borrowers default on their loans within three years of entering repayment, a rate more than three times higher than that of federal loan participants.
- Borrowers were more likely to default if they: enrolled in a technical college, were eligible for a Pell Grant, did not receive the HOPE or Zell Miller aid, or did not earn a postsecondary credential prior to repayment.
- SAL's default rate limits the assurance that the program will recover funds and become less reliant on state appropriations to meet loan demand.
- SAL borrowers must pay at least $50 a month toward their loan regardless of their overall debt obligation, and most borrowers must pay more monthly than they would under standard amortization.

Full report available at: https://www.audits.ga.gov/PAO/21-01_StudentAccessLoan.html